



RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

for the financial period ended 31 December 2021

RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	3 months		6 months	
		Individual quarter		Cumulative period	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
		RM'000	RM'000	RM'000	RM'000
Revenue		26,192	45,365	45,545	87,121
Cost of goods sold		(19,070)	(33,517)	(33,705)	(62,743)
Gross profit		7,122	11,848	11,840	24,378
Interest income		100	100	283	203
Other income		59	239	240	309
Administrative and general expenses		(3,994)	(4,334)	(6,795)	(7,971)
Finance costs		(203)	(56)	(390)	(125)
Profit before tax	24	3,084	7,797	5,178	16,794
Tax expense	17	(631)	(997)	(943)	(2,937)
Profit for the financial period		2,453	6,800	4,235	13,857
Other comprehensive income for the financial period		-	-	-	-
Comprehensive income for the financial period		2,453	6,800	4,235	13,857
Profit for the financial period attributable to:-					
- Owners of the Company		1,501	4,089	2,634	8,350
- Non-controlling interests		952	2,711	1,601	5,507
		2,453	6,800	4,235	13,857
Comprehensive income for the financial period attributable to:-					
- Owners of the Company		1,501	4,089	2,634	8,350
- Non-controlling interests		952	2,711	1,601	5,507
		2,453	6,800	4,235	13,857
Earnings per share:-	23				
- Basic (sen)		0.23	0.64	0.40	1.30
- Diluted (sen)		0.19	0.53	0.34	1.09

The Condensed Consolidated Financial Statements should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the year ended 30 June 2021.

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Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	As at 31.12.2021 (Unaudited) RM'000	As at 30.06.2021 (Audited) RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		66,784	56,563
Right-of-use assets		17,004	17,783
Goodwill		28,452	17,147
Deferred tax assets		199	199
		<u>112,439</u>	<u>91,692</u>
CURRENT ASSETS			
Inventories		26,578	21,801
Receivables		21,570	6,504
Derivatives	13	60	-
Prepayments		10,165	3,381
Current tax assets		156	912
Cash and cash equivalents		39,388	56,105
		<u>97,917</u>	<u>88,703</u>
CURRENT LIABILITIES			
Payables		20,452	15,207
Loans and borrowings	20	8,623	2,436
Lease liabilities	20	1,008	1,258
Derivatives	13	-	7
Contract liabilities		3,671	569
		<u>33,754</u>	<u>19,477</u>
NET CURRENT ASSETS		64,163	69,226
NON-CURRENT LIABILITIES			
Loans and borrowings	20	28,624	15,411
Lease liabilities	20	1,976	2,304
Deferred tax liabilities		5,533	5,338
		<u>36,133</u>	<u>23,053</u>
NET ASSETS		140,469	137,865
EQUITY			
Share capital	5	81,463	78,148
Warrant reserve	5	5,893	7,006
Retained profits		15,840	17,124
Equity attributable to owners of the Company		<u>103,196</u>	<u>102,278</u>
Non-controlling interests		37,273	35,587
TOTAL EQUITY		140,469	137,865
Net assets per ordinary share attributable to owners of the Company (sen)		<u>15.29</u>	<u>15.67</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

(THE FIGURES HAVE NOT BEEN AUDITED)

	<u>Non-distributable</u>		<u>Distributable</u>	Equity attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Warrant reserve RM'000	Retained profits RM'000			
Balance at 1 July 2021	78,148	7,006	17,124	102,278	35,587	137,865
Issue of shares pursuant to exercise of warrants	3,315	(1,113)	-	2,202	-	2,202
Issue of shares to non-controlling interests	-	-	-	-	3,000	3,000
Interim single tier dividend of 0.6 sen per share	-	-	(3,918)	(3,918)	-	(3,918)
Dividends to non-controlling interests	-	-	-	-	(4,000)	(4,000)
Total transaction with owners	3,315	(1,113)	(3,918)	(1,716)	(1,000)	(2,716)
Acquisition of subsidiary	-	-	-	-	1,085	1,085
Profit (representing comprehensive income) for the financial period	-	-	2,634	2,634	1,601	4,235
Balance at 31 December 2021	<u>81,463</u>	<u>5,893</u>	<u>15,840</u>	<u>103,196</u>	<u>37,273</u>	<u>140,469</u>
Balance at 1 July 2020	49,352	8,818	7,110	65,280	28,496	93,776
Issue of shares pursuant to private placements	23,400	-	-	23,400	-	23,400
Issue of shares pursuant to exercise of warrants	3,542	(1,189)	-	2,353	-	2,353
Total transactions with owners	26,942	(1,189)	-	25,753	-	25,753
Profit (representing comprehensive income) for the financial period	-	-	8,350	8,350	5,507	13,857
Balance at 31 December 2020	<u>76,294</u>	<u>7,629</u>	<u>15,460</u>	<u>99,383</u>	<u>34,003</u>	<u>133,386</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	31.12.2021 RM'000	31.12.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,178	16,794
Adjustments for:-			
Depreciation of property, plant and equipment		1,952	1,591
Depreciation of right-of-use assets		868	705
Interest expense		390	125
Interest income		(283)	(203)
Inventories written down		-	227
Property, plant and equipment written off		61	-
Reversal of inventories written down		(77)	-
Unrealised gain on derivatives		(7)	(181)
Unrealised loss on foreign exchange		50	331
Operating profit before working capital changes		8,132	19,389
Changes in:-			
Inventories		257	(7,158)
Receivables and prepayments		(17,856)	(7,085)
Payables and contract liabilities		1,461	6,306
Derivatives		(60)	3
Cash (absorbed by)/generated from operations		(8,066)	11,455
Tax paid		(1,090)	(1,043)
Net cash (used in)/from operating activities		(9,156)	10,412
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary	A	(12,841)	-
Acquisition of property, plant and equipment		(11,412)	(11,847)
Acquisition of right-of-use assets		(10)	(3,604)
Interest received		283	203
Net cash used in investing activities		(23,980)	(15,248)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		(3,918)	-
Dividends paid to non-controlling interests		(4,000)	-
Drawdown of loans and borrowings		21,602	10,663
Interest paid		(390)	(125)
Issue of shares to non-controlling interests		3,000	-
Issue of shares pursuant to exercise of warrants		2,202	2,353
Issue of shares pursuant to private placement		-	23,400
Payment of lease liabilities		(657)	(1,430)
Placement of cash and cash equivalents pledged as security (net)		(39)	(28)
Repayment of loans and borrowings		(2,373)	(3,487)
Net cash from financing activities		15,427	31,346

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021 (CONT'D)

(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	31.12.2021 RM'000	31.12.2020 RM'000
Currency translation differences		(40)	(23)
Net (decrease)/increase in cash and cash equivalents		(17,749)	26,487
Cash and cash equivalents brought forward		52,868	28,843
Cash and cash equivalents carried forward		<u>35,119</u>	<u>55,330</u>
Analysis of cash and cash equivalents:-			
- Highly liquid investments		9,455	49,609
- Term deposits		4,098	3,212
- Cash and bank balances		<u>25,835</u>	<u>5,721</u>
		39,388	58,542
Less:			
- Cash and cash equivalents pledged		(4,098)	(3,212)
- Bank overdraft		<u>(171)</u>	-
		<u>35,119</u>	<u>55,330</u>
Note A :-			
Purchase consideration for acquisition of a subsidiary		14,000	-
Cash and cash equivalent acquired, net of those pledged		<u>(1,159)</u>	-
Acquisition of subsidiary, net of cash acquired		<u>12,841</u>	-

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

This interim financial report should be read in conjunction with the audited financial statements of RGT Berhad ("the Company or "RGTBHD") and its subsidiaries ("the Group") for the financial year ended 30 June 2021.

The significant accounting policies and method of computation adopted in the interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2021 except for the adoption of the following MFRSs:-

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The Group has also early applied the Amendment to MFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021 which is effective for annual periods beginning on or after 1 April 2021.

The initial application of the above MFRSs did not have any significant impacts on the interim financial report.

The Group has not applied the following MFRSs which have been issued as at the end of reporting period but are not yet effective: -

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform-Phase 2</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION (CONT'D)

<u>MFRS (Issued as at the end of the reporting period)</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvement to MFRS Standards 2018 – 2020	1 January 2022

Management foresees that the initial application of the above MFRSs will not result in any significant changes in the accounting policies of the Group.

2. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not materially affected by any seasonal or cyclical factor.

3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the current interim period, there were no unusual items affecting assets, liabilities, equity, net income or cash flows.

4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior interim period of the current financial period or changes in estimates of amounts reported in prior financial period.

5. DEBT AND EQUITY SECURITIES

As at the quarter ended 31 December 2021, a total of 22,018,200 new ordinary shares ("Shares") were issued and allotted pursuant to exercise of the warrants 2018/2023 ("Warrants"). Details of the changes to the issued and paid-up capital of the Company are as follows: -

Share Capital

	<u>No. of Shares</u>	<u>RM'000</u>
As at 1 July 2021	652,767,856	78,148
Issuance of Shares under exercise of Warrants	22,018,200	3,315
As at 31 December 2021	<u>674,786,056</u>	<u>81,463</u>

Warrant

	<u>No. of Warrants</u>	<u>RM'000</u>
As at 1 July 2021	138,561,224	7,006
Exercised	(22,018,200)	(1,113)
As at 31 December 2021	<u>116,543,024</u>	<u>5,893</u>

Other than the above, there were no other issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the current interim period.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

6. DIVIDEND PAID

No dividend was paid during the current interim period.

7. SEGMENTAL INFORMATION

Operating Segments

The Group has two reportable segments which comprised its major business segments. These segments and the nature of their activities are as tabulated:

- i. Original Design Manufacturer (“ODM”) - Design, manufacture and sale of precision plastic moulded parts including full assembly and related accessories
- ii. Automation and Precision Engineering (“APE”) - Design, manufacture and sale of automated machinery, high precision parts and related accessories

6 months ended 31 December 2021

	ODM RM'000	APE RM'000	Adjustment RM'000	Total RM'000
External revenue	<u>43,334</u>	<u>6,897</u>	<u>(4,686)</u>	<u>45,545</u>
Profit before tax	<u>4,495</u>	<u>951</u>	<u>(273)*</u>	<u>5,173</u>
Segment assets	<u>144,461</u>	<u>24,382</u>	<u>41,513</u>	<u>210,356</u>
Segment liabilities	<u>59,021</u>	<u>10,454</u>	<u>412</u>	<u>69,887</u>

* Comprises net foreign exchange differences, interest income, dividend income, eliminations and adjustments.

6 months ended 31 December 2020

	ODM RM'000	APE RM'000	Adjustment RM'000s	Total RM'000
External revenue	<u>88,304</u>	<u>N/A</u>	<u>(1,183)</u>	<u>87,121</u>
Profit before tax	<u>17,127</u>	<u>N/A</u>	<u>(333)*</u>	<u>16,794</u>
Segment assets	<u>137,537</u>	<u>N/A</u>	<u>42,341</u>	<u>179,878</u>
Segment liabilities	<u>47,361</u>	<u>N/A</u>	<u>(869)</u>	<u>46,492</u>

* Comprises net foreign exchange differences, interest income, dividend income, eliminations and adjustments.

No other operating segments have been aggregated to form the above reportable segments. Investment holding and other activities are not considered as reporting segment and the related financial information has been included under “Adjustment”.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

7. SEGMENTAL INFORMATION (CONT'D)

Geographical Information

The Group operates in Malaysia and generates revenue from the following geographical locations of customers: -

	3 months		6 months	
	Individual quarter		Cumulative period	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
United States of America	11,988	36,695	23,023	63,078
Europe ¹	3,525	5,447	8,636	17,183
Malaysia	8,241	2,609	10,564	5,588
Others ²	2,438	614	3,322	1,272
	<u>26,192</u>	<u>45,365</u>	<u>45,545</u>	<u>87,121</u>

Notes: -

¹ Comprise countries such as Netherlands, Switzerland and United Kingdom

² Comprise countries such as Canada, China and Thailand

8. CONTRACTUAL COMMITMENT

The Group has no other material contractual commitment in respect of property, plant and equipment as at the end of current quarter under review except for the followings: -

	31.12.2021
	RM'000
Acquisition of property, plant and equipment	15,270
Acquisition of right-of-use assets	2,884
	<u>18,154</u>

As at 31 December 2021, the Group's capital commitment mainly comprises expansion of production floor and office block for Rapid Growth Technology Sdn. Bhd. ("RGTSB"), purchase of land and factory building by RGT Industries Sdn. Bhd ("RISB") and purchase of machineries by Top Degree (M) Sdn. Bhd. ("TDSB").

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

9. CHANGES IN COMPOSITION

On 4 October 2021, the Company announced the completion of acquisition of TDSB for cash consideration of RM14,000,000. TDSB is now a 70% owned subsidiary of the Company.

Other than the above, there were no other major changes in the composition of the Group during the period ended 31 December 2021.

10. CONTINGENCIES

There were no significant changes in contingent assets or liabilities since 31 December 2021.

11. SUBSEQUENT EVENT

- a) On 3 January 2022, the Company completed the acquisition of 70% equity interest representing 140,000 ordinary shares in Keenness Precision Engineering Sdn. Bhd. ("KPSB") for cash consideration of RM9,800,000.
- b) On 25 January 2022, the Company completed the acquisition of the remaining 40% equity interest representing 6,000,000 ordinary shares in RGTSB, for purchase consideration of RM85,600,000 via issuance of 267,500,000 new Shares in RGTBHD ("Consideration Shares") at an issue price of RM0.32 per Consideration Share to RGT Equity Holdings Sdn Bhd ("RGT Equity").

Save for the above, there are no other significant events as at the date of the report.

12. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the current interim period.

13. DERIVATIVES

31.12.2021
RM'000

Forward exchange contracts – at fair value
- Current assets

60

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2021, the Group had contracts with financial institutions due within 1 year to buy RM6,118,000 and sell USD1,450,000 at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

13. DERIVATIVES (CONT'D)

Financial assets and financial liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

Fair Value Changes of Financial Liabilities

The Group does not remeasure its financial liabilities at fair value after the initial recognition.

Fair Value

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

The fair values of forward exchange contracts are measured using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

There were no transfers between levels of fair value hierarchy during the current interim period.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. REVIEW OF PERFORMANCE

Current Quarter (Q2'22) vs Preceding Year Corresponding Quarter (Q2'21) / Current Cumulative Period (6M YTD'22) vs Preceding Year Cumulative Period (6M YTD'21)

	3 months Individual Quarter				6 months Cumulative Period			
	31.12.2021 RM'000	31.12.2020 RM'000	Variance RM'000	%	31.12.2021 RM'000	31.12.2020 RM'000	Variance RM'000	%
Revenue	26,192	45,365	(19,173)	-42%	45,545	87,121	(41,576)	-48%
Profit before tax	3,084	7,797	(4,713)	-60%	5,178	16,794	(11,616)	-69%
Profit for the financial period	2,453	6,800	(4,347)	-64%	4,235	13,857	(9,622)	-69%
Profit attributable to owners of the Company	1,501	4,089	(2,588)	-63%	2,634	8,350	(5,716)	-68%

The Group recorded Q2'22 revenue of RM26.19 million, RM19.17 million lower than RM45.36 million reported for Q2'21. A year ago, there was record demand in US and Europe for Hygiene-care products. Since then, orders have reduced significantly caused partly by the overstocking and logistic issues. As a result, 6M YTD'22 cumulative revenue also experienced a drop of 48% year-on-year ("YoY") when compared to 6M YTD'21.

Due to the lower YoY revenues, Profit Before Tax ("PBT") for both the current quarter as well as the cumulative 6M YTD'22 period dropped by 60% and 69% respectively against comparative periods. Gross profit margins remain healthy and robust despite being tighter in Q2'22 and 6M YTD'22 when compared to a year ago.

Current Quarter (Q2'22) vs Immediate Preceding Quarter (Q1'22)

	31.12.2021 RM'000	30.09.2021 RM'000	Variance RM'000	%
Revenue	26,192	19,353	6,839	35%
Profit before tax	3,084	2,094	990	47%
Profit for the financial period	2,453	1,782	671	38%
Profit attributable to owners of the Company	1,501	1,133	368	32%

The Group enjoyed quarter-on-quarter ("QoQ") revenue growth of 35% (which reached RM26.19 million) when compared to Q1'22. At the same time, Q2'22 PBT also rose 47% QoQ to RM3.08 million.

The core ODM business continues to do well and forms 74% of the Group's overall revenue despite the supply interruptions and logistical challenges. The new APE segment following the acquisition of TDSB in early October 2021 contributed the remaining 26% to the revenue.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

15. COMMENTARY ON PROSPECT

The global supply chain is still facing challenges amidst some progress made towards normalisation. The Covid-19 pandemic is still evolving. Whilst some countries are transiting into endemic phase from the pandemic phase, the fluid situation remain a concern given emergence of variants of concern and regulatory responses could still impact the economy.

Though backlogs have reduced, the Group is not spared from the ongoing logistical challenges where quite a number of ports and warehouses remain congested.

Original Design Manufacturer (“ODM”) *

Business for the Group is beginning to normalise with encouraging orders for Hygiene-care products such as soap and sanitizer dispensers. Demand for Air-care products is also trending up. Management believes that the underlying market fundamentals for the Hygiene-care and Air-care range remain healthy. The COVID-19 pandemic has raised the awareness and need for better hygiene which is supportive of longer term demand.

The Group’s precision spray painting and printing unit under RISB is progressing well. Thus far, RISB has largely been meeting in-house demand from within the Group. From next quarter onwards, we expect more revenue contributions from external customers. RISB will soon be installing cleanroom robotic spray painting systems in its new premises which it acquired last year for RM14 million. This new robotic spray painting lines will be able to achieve smoother, more consistent finishing while significantly reducing production time and wastages. This new facility is scheduled to start operations in early April, 2022.

Automation and Precision Engineering (“APE”) *

Following the acquisitions of TDSB (Note 9) and KPSB (Note 14), the Group has now broadened its reach into data storage, semiconductor, medical and electronics sectors. Their combined know-how, expertise and skill sets (from TDSB and KPSB) have strengthened the Group’s in-house capability to design and manufacture high precision parts and components, including the ability to integrate software into automation equipment. Management is upbeat of expanding the APE segment further in light of the current global economic recovery, the US-China trade war and opportunities arising from multinationals seeking to strengthen their global supply chain by diversifying into South East Asia.

Meanwhile, construction work on RGTSB’s new production and office space is now completed while renovation work on RISB and TDSB’s new production area is on-going and should be completed by end of March, 2022.

Moving Forward, the Group will continue to invest in research, product development as well as improving its manufacturing capability further in order to be even more competitive, agile and resilient.

** Please refer to Note 7 for the definition of ODM and APE segment.*

16. PROFIT FORECAST

The Group did not issue any profit forecast in any form of public documentation and announcement.

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17. TAX EXPENSE

	3 months		6 months	
	Individual quarter		Cumulative period	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the financial period: -				
- Current tax	632	660	944	2,600
- Deferred tax	(1)	337	(1)	337
	<u>631</u>	<u>997</u>	<u>943</u>	<u>2,937</u>

The effective tax rates are lower than the statutory tax rate mainly due to tax incentives enjoyed by the subsidiaries.

18. STATUS OF CORPORATE PROPOSALS

There are no corporate proposals announced or completed as at the date of the report except for the following:

On 6 September 2021, the Company announced to undertake the following: -

- The Company had entered into a Share Sale Agreement ("SSA") dated 6 September 2021 with Hor Lim Chee, Ng Choon Keat, Tan Song Chai, Datuk Lim Seat Hoe and Tan Ann Chee ("Vendors") for the acquisition of the remaining 6,000,000 ordinary shares in RGTSB, representing 40% equity interest in RGTSB, for a purchase consideration of RM85,600,000 to be satisfied entirely via issuance of 267,500,000 Consideration Shares at an issue price of RM0.32 per Consideration Share to RGT Equity, subject to the terms and conditions contained in the SSA ("Proposed Acquisition"); and
- An exemption to the Vendors, RGT Equity and persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining Shares and Warrants in Company not already held by them pursuant to the Proposed Acquisition under Paragraph 4.08(1) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Proposed Exemption").

On 20 September 2021, the Company announced that the listing application in relation to the Proposed Acquisition and the proposed special issue of up to 147,860,000 new Shares to Bumiputera Investors to be identified and/ or approved by the Ministry of International Trade and Industry ("Proposed Special Issue") (hereinafter to be collectively known as "Proposals") were to the Bursa Securities.

On 3 November 2021, the Company announced that this Proposals has been voluntarily withdrawn the voluntary withdrawal of these Proposals and the re-submission of the listing application in relation to the Proposed Acquisition. The said listing application was approved by Bursa Securities on 30 November 2021.

On 6 January 2022, at the Extraordinary General Meeting, the shareholders of the Company approved the Proposed Acquisition and Proposed Exemption with the latter subject to the receipt of approval from the Securities Commission Malaysia. The said approval was granted on 10 January 2022.

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18. STATUS OF CORPORATE PROPOSALS (CONT'D)

On 21 January 2022, 267,500,000 Consideration Shares were issued and allotted following fulfilment of all conditions precedent pursuant to the SSA. The listing of the Consideration Shares on 25 January 2022 marked the completion of the Proposed Acquisition.

Details are contained in earlier announcements made on 18 September 2020, 30 September 2020, 2 December 2020, 30 June 2021, 6 September 2021, 20 September 2021, 3 November 2021, 1 December 2021, 6 January 2022, 11 January 2022 and 24 January 2022.

19. UTILISATION OF PROCEEDS

Subsequent to the Company's issuance of 40,000,000 new ordinary shares ("Placement Shares") at RM0.585 per Placement Share on 18 December 2020 ("Private Placement"), the proceeds raised from the Private Placement amounting to RM23,400,000 has been fully utilised as detailed as below: -

Purpose	Proposed utilisation RM'000	Actual utilisation as at 31.12.2021 RM'000	Balance as at 31.12.2021 RM'000	Intended timeframe for utilisation
Capital expenditure for capacity expansion purposes	20,000	20,000	-	Within 12 months from receipt of placement funds
Working capital requirements	3,327*	3,327	-	Within 12 months from receipt of placement funds
Expenses for the Private Placement	73	73	-	Immediate
Total	23,400	23,400	-	

Notes: -

* Included excess funds allocated for the Expenses for the Private Placement of RM27,000 which was utilised for general working capital purposes in subsequent quarters.

20. BORROWINGS

The Group's loans and borrowings as at end of the reporting period were as follows: -

	Short-term RM'000	Long-term RM'000	Total RM'000
Secured			
- Lease liabilities	1,008	1,976	2,984
- Term loans	4,604	28,624	33,228
Unsecured			
- Banker acceptance	1,956	-	1,956
- Bank overdraft	171	-	171
- Revolving credit	1,892	-	1,892
	<u>9,631</u>	<u>30,600</u>	<u>40,231</u>

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21. DIVIDEND

The Board did not propose any dividend during the current quarter.

22. CHANGES IN MATERIAL LITIGATION

As at the latest practicable date, neither the Company nor any of its subsidiary companies is involved in any material litigation which has a material effect on the financial position of the Group.

23. EARNINGS PER SHARE

	3 months		6 months	
	Individual quarter		Cumulative period	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	('000)	('000)	('000)	('000)
Profit attributable to owners of the Company (RM)	<u>1,501</u>	<u>4,089</u>	<u>2,634</u>	<u>8,350</u>
Weighted average number of ordinary shares in issue	664,436	640,455	664,436	640,455
Number of shares under warrant deemed to have been issued for no consideration	105,944	127,290	100,667	123,415
Weighted average number of shares for computing diluted earnings per share	<u>770,380</u>	<u>767,745</u>	<u>765,103</u>	<u>763,870</u>
Earnings per share: -				
- Basic (sen)	<u>0.23</u>	<u>0.64</u>	<u>0.40</u>	<u>1.30</u>
- Diluted (sen)	<u>0.19</u>	<u>0.53</u>	<u>0.34</u>	<u>1.09</u>

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24. PROFIT BEFORE TAX

	3 months		6 months	
	Individual quarter		Cumulative period	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting): -				
Depreciation of property, plant and equipment	997	866	1,952	1,591
Depreciation of right-of-use assets	435	384	868	705
Fair value gain on financial instruments mandatorily measured at fair value through profit or loss	(51)	(128)	(67)	(178)
(Gain)/Loss on foreign exchange: -				
- Realised	(120)	217	(164)	352
- Unrealised	164	53	50	331
Interest expense	203	56	390	125
Interest income	(100)	(100)	(283)	(203)
Inventory written down	-	227	-	227
Reversal of inventories written down	-	-	(77)	-

Save for the above, the other items as required under Paragraph 16 of Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.